

**MADALENA ANNOUNCES CLOSING OF TRANSACTIONS WITH PAN AMERICAN ENERGY**

(All dollar figures are expressed in United States Dollars)

Madalena Energy Inc. ("Madalena" or the "Company") (TSXV: MVN and OTCQX: MDLNF) is pleased to announce that its previously announced transactions with Pan American Energy LLC, Sucursal Argentina ("PAE") relating to Madalena's 90% working interest ("WI") in the Coiron Amargo Sur Este block ("CASE") have closed and Madalena has received the balance of the \$10 million consideration owed.

As a result of the transactions, PAE holds a 55% WI in, and operatorship of, CASE. Madalena retains a 35% non-operated WI in CASE, with the remaining 10% ownership of CASE held by Gas y Petroleo del Neuquén, the provincial oil and gas company in the Province of Neuquén, Argentina. Concurrently, PAE has agreed, subject to certain conditions, to provide Madalena with a loan of up to \$40 million, on a limited recourse basis, to be drawn-down as required to fund certain capital expenditures. This limited recourse loan will bear interest at 7% per annum and is repayable in five years from the net revenue generated from the capital expenditure program.

The 2017 work program at CASE described in the Company's December 7, 2016 news release, comprised of, among other things, two well re-entries, will be undertaken by PAE as the new operator of CASE, with a net benefit to Madalena of up to \$5.6 million in carried capital costs. PAE intends to initiate the first of two well re-entries as soon as possible.

Use of Proceeds

The proceeds from the transactions will be used to partially address the liquidity challenges currently being experienced by the Company. In particular, Madalena expects that the overdue amounts payable to the operator at Coiron Amargo Norte (described in the November 22, 2016 news release) will be satisfied and therefore the risk of forfeiture avoided.

Strategic Alternatives Update

The previously announced strategic alternatives process continues. The Company, along with its financial advisor, Evercore Group LLC, is in ongoing discussions with multiple potential counterparties. As indicated previously, there can be no assurance that any additional transactions will be consummated.

About Madalena Energy

Madalena is an independent, Canadian headquartered, Argentina focused upstream oil and gas company with operations in four provinces of Argentina where it is focused on the delineation of unconventional resources in the Vaca Muerta shale, Lower Agrio shale and Loma Montosa oil plays. The Company is implementing horizontal drilling and completions technology to develop both its conventional and resource plays.

Madalena trades on the TSX Venture Exchange under the symbol MVN and on the OTCQX under the symbol MDLNF.

About PAE

PAE is the largest private hydrocarbon producing company in Argentina. It contributes 18% of hydrocarbon produced in the country and has had the highest growth rate and the highest reserve replacement ratio in Argentina over the past 10 years. In 2016, PAE invested \$1.4 billion, after having invested \$13 billion between 2001 and 2015.

Over the past 14 years, PAE increased its oil production by 34% and gas production by 67%.

PAE employs more than 12,000 people either directly or indirectly and has a presence in the four major hydrocarbon producing basins in Argentina: Golfo San Jorge, with the largest oil production in Cerro Dragón, the largest oilfield in the country; Neuquina, the largest gas basin and the hub for the future development of unconventional reservoirs; Noroeste (province of Salta) and the Austral Basin (located offshore Tierra del Fuego), with significant production of gas, the main source of energy in the country.

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Forward Looking Information

The information in this news release contains certain forward-looking statements. These statements relate to future events or our future performance, in particular, but not limited to, with respect to matters related to the transactions described herein, the associated work program, the use of proceeds from the transactions described herein and their impact on the Company's liquidity challenges and matters related to the strategic review. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "approximate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control, including: the impact of general economic conditions; industry conditions; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; fluctuations in commodity prices and foreign exchange and interest rates; stock market volatility and market valuations; volatility in market prices for oil and natural gas; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions, of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; and obtaining required approvals of regulatory authorities. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits the Company will derive from them. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The forward-looking statements in this news release are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements. Investors are encouraged to review and consider the additional risk factors set forth in the Company's Annual Information Form, which is available on SEDAR at www.sedar.com.

Neither the TSX Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.